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SUPREME COURT, U.S.

No. 07-266

IN THE

Supreme Court of the United States

PERFECT 10, INC., a California corporation,

Petitioner,

v.

CCBILL LLC, CWIE LLC,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF

JEFFREY N. MAUSNER
MAUSNER IP LAW
Warner Center Towers, Suite 910
21800 Oxnard Street
Woodland Hills, California 91367
(310) 617-8100, (818) 992-7500

Attorneys for Petitioner

212261

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

CORPORATE DISCLOSURE STATEMENT

Petitioner's Corporate Disclosure Statement was set forth at page *ii* of its Petition for a Writ of Certiorari, and there are no amendments to that Statement.

TABLE OF CONTENTS

Page

CORPORATE DISCLOSURE STATEMENT .. i

TABLE OF CONTENTS ii

TABLE OF CITED AUTHORITIES iii

I. THE NINTH CIRCUIT'S DECISION DOES CONFLICT WITH THE DECISION OF THE FIRST CIRCUIT, AS WELL AS WITH DISTRICT COURT DECISIONS. 1

II. THE DECISION BELOW DOES INVOLVE AN IMPORTANT ISSUE OF FEDERAL LAW THAT SHOULD BE SETTLED BY THIS COURT AT THIS TIME. 4

III. THE NINTH CIRCUIT'S DECISION CONFLICTS WITH DECISIONS OF THIS COURT REGARDING STATUTORY CONSTRUCTION. 9

CONCLUSION 12

APPENDIX E — STIPULATION AND ORDER TO STAY PROCEEDINGS PENDING OUTCOME OF PETITION FOR CERTIORARI 1a

TABLE OF CITED AUTHORITIES

Page

Cases

Duncan v. Walker, 533 U.S. 167 (2001) 9, 10

Fedorenko v. United States, 449 U.S. 490 (1981) 9-10

Gucci Am., Inc. v. Hall & Assocs., 135 F.Supp. 2d 409 (S.D.N.Y. 2001) 2

Medtronic, Inc. v. Lohr, 518 U.S. 470 (1996) ... 5

Universal Communication Systems, Inc. v. Lycos, Inc., 478 F.3d 413 (1st Cir. 2007) 1, 2

U.S. v. Lanier, 520 U.S. 259 (1997) 10

Voicenet Communications, Inc. v. Corbett, 2006 WL 2506318 (E.D. Pa. 2006) 3

Zeran v. America Online, Inc., 958 F.Supp. 1124 (E.D. Va. 1997), *aff'd.*, 129 F.3d 327 (4th Cir. 1997), *cert. denied*, 524 U.S. 937 (1998) 8

Statutes

17 U.S.C. § 512 7

47 U.S.C. § 230 ..... *passim*

Petitioner Perfect 10, Inc. respectfully submits this reply to respondents' brief in opposition to certiorari. Each argument made by respondents is incorrect.

I. THE NINTH CIRCUIT'S DECISION DOES CONFLICT WITH THE DECISION OF THE FIRST CIRCUIT, AS WELL AS WITH DISTRICT COURT DECISIONS.

As discussed in Perfect 10's Petition, pages 10-12, in *Universal Communication*, the First Circuit refused to grant Section 230 immunity for plaintiff's state-law trademark claim, holding that "[c]laims based on intellectual property laws are not subject to Section 230 immunity." The First Circuit held that "the plain language of Section 230(e)(2) precludes [the defendant's] claim of immunity from a claim for [state law] trademark infringement." *Universal Communication Systems, Inc. v. Lycos, Inc.*, 478 F.3d 413, 422-23 (1st Cir. 2007) (internal quotations omitted).

Respondents claim that this holding is "dictum," because the First Circuit eventually dismissed the state trademark claim on other grounds. (Opposition p. 10.) However, it is not *obiter dictum*, because in order to reach the dispositive issue the First Circuit first held that the state trademark claim was not immunized by Section 230. The First Circuit held:

> UCS's remaining claim against Lycos was brought under ***Florida trademark law***, alleging dilution of the "UCSY" trade name under Fla. Stat. § 495.151. ***Claims based on intellectual property laws are not subject to***

> ***Section 230 immunity***. *See* 47 U.S.C. § 230(e)(2) ("Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property."); *see also Gucci Am., Inc. v. Hall & Assocs.*, 135 F.Supp.2d 409, 413 (S.D.N.Y.2001) (finding that the "plain language of Section 230(e)(2) precludes [the defendant's] claim of immunity" from a claim for trademark infringement). . . . ***Section 230 immunity does not apply***. . .

Universal Communication, supra, 478 F.3d at 422-23 (emphasis added). Only after making this holding did the First Circuit go on to dismiss the claim on other grounds: "[E]ven though Section 230 immunity does not apply, the claim was properly dismissed as a matter of trademark law." *Id.* at 423.

The district courts which have considered this issue also conflict with the Ninth Circuit. Respondents imply that the holding in *Gucci Am., Inc. v. Hall & Assocs.*, 135 F.Supp.2d 409 (S.D.N.Y.2001) might not relate to state law intellectual property claims. (Opposition p. 12.) That is not correct. The *Gucci* court's opinion makes clear that the defendant moved to dismiss the claims for "trademark infringement and unfair competition under *New York* common law." 135 F.Supp.2d at 411 (emphasis added). The court held that these state intellectual property law claims are not immunized because they come within the intellectual property exception. *Id.* at 412-413. "Section 230(c) immunizes ISPs from defamation and other, **non-intellectual property, state law claims** arising from third-party content." *Id.* at 417

(emphasis added). The court concluded that "**[t]he plain language of Section 230(e)(2) precludes Mindspring's claim of immunity**" for the state law intellectual property claims. *Id.* at 413 (emphasis in original).

The holdings of these cases, that state law intellectual property claims are within the intellectual property exception and therefore not immunized, directly conflict with the Ninth Circuit decision, and this Court should review this issue.[1]

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[1] *Voicenet Communications, Inc. v. Corbett*, 2006 WL 2506318 at *4 (E.D. Pa. 2006), involved the interpretation of the adjacent exception to CDA immunity, Section 230(e)(1). The court compared the use of the word "Federal" in Section 230(e)(1) with lack of that term and use of the term "any" in Section 230(e)(2). The court held:

> Statutes should be interpreted to give effect, if possible, to every clause and word. [Citation omitted.] The defendants' interpretation of the CDA would render the word "Federal" in sub-subsection (1) superfluous, in violation of this rule of statutory interpretation.
>
> Moreover, if Congress had wanted state criminal statutes to trump the CDA as well, it knew how to say so. For example, sub-subsection (2) provides that nothing in the CDA shall be construed to limit or expand "*any* law pertaining to intellectual property." *47 U.S.C. § 230(e)(2)* (emphasis added). . . . If Congress had wanted all criminal statutes to trump the CDA, it could have written sub-subsection (1) to cover "any criminal statute" . . . . Instead, sub-subsection (1) is limited to federal criminal statutes. When Congress includes particular language in one provision of a statute but omits it in another, courts generally presume that Congress acted intentionally and purposefully. *Duncan*, 533 U.S. at 173.

II. THE DECISION BELOW DOES INVOLVE AN IMPORTANT ISSUE OF FEDERAL LAW THAT SHOULD BE SETTLED BY THIS COURT AT THIS TIME.

Respondents contend that "because this case is not over, this Court can consider review after there is a final judgment if a significant split in the circuit courts has then developed." (Opposition p. 8.) That is not true. If the instant petition is not granted, the case will be dismissed with prejudice. The district court ordered that

> [A]ll proceedings in this case are stayed, pending the decision by the United States Supreme Court to grant or deny Plaintiff's Petition for Certiorari. . . . Further, *it is ORDERED that this case will be dismissed with prejudice*, all parties to bear their own fees and costs, *in the event the Supreme Court denies Plaintiff's Petition for Certiorari.* It is further ORDERED that the stay shall be lifted if the Supreme Court grants the Petition for Certiorari.

Stipulation And Order To Stay Proceedings Pending Outcome Of Petition For Certiorari, attached as Appendix E hereto, p. 3a (emphasis added). Therefore, if this Court does not grant certiorari now, the case will be dismissed with prejudice.[2]

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[2] Perfect 10 agreed to this outcome because it did not want to try the case without the right of publicity claim.

The deprivation of state law rights by a federal court, without a clear mandate from Congress, by definition implicates important issues of federal law. The decision below is a published, precedential opinion holding that Section 230 of the Communications Decency Act grants interactive computer services immunity, under federal law, from state law intellectual property claims. Unless this Court grants certiorari, plaintiffs in the Ninth Circuit will be deprived of these state rights, contrary to plaintiffs in the First Circuit, and contrary to the specific language employed by Congress.

This Court has recognized a "presumption against the pre-emption" of state law "because the States are independent sovereigns in our federal system." *Medtronic, Inc. v. Lohr*, 518 U.S. 470, 485 (1996). "[W]e have long presumed that Congress does not cavalierly pre-empt state-law causes of action." *Id.* The immunity that the Ninth Circuit has imposed for state intellectual property claims has the same effect as pre-empting these claims. This issue is too important to be lost in respondents' baseless argument that "[t]his area of law should be further developed by the federal courts in other circuits before this Court considers reviewing the issues." Opposition p. 15. Either the intellectual property exception includes all intellectual property or it is limited to federal intellectual property. Nothing can be added to the consideration of this issue by this Court by waiting.

The Screen Actors Guild (SAG)[3] and CMG Worldwide[4] have submitted amicus briefs in support of Perfect 10's Petition for Certiorari. Respondents criticize those briefs for merely arguing "in favor of a new bill in Congress, but [providing] no reason for a review of the decision below under a writ of certiorari." Opposition pp. 9, 17-18. However, this criticism is unjustified because SAG and CMG are not asking this Court to amend the statute, but merely to interpret it as written. It was the Ninth Circuit that amended the statute as written by inserting the word "Federal" into it. The Ninth Circuit may not have realized the serious consequences this would cause for all right of publicity owners when it did so.[5] For example, as noted in both amicus briefs, under the Ninth Circuit's ruling, if an individual's right of publicity is infringed on websites like YouTube, the rights

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[3] The Screen Actors Guild represents more than 120,000 working actors. SAG Brief p. 1.

[4] CMG has represented famous celebrities and sports stars in managing and licensing their intellectual property, including Elvis Presley, Marilyn Monroe, James Dean, Marlon Brando, Humphrey Bogart, Ingrid Bergman, Sophia Loren, Duke Ellington, Ella Fitzgerald, Billie Holiday, Jackie Robinson, Vince Lombardi, Malcolm X, and Rosa Parks, to name a few. CMG Brief p. 1.

[5] Respondents' argument in response to the amicus briefs—that Congress has already decided the issue—begs the question. Opposition pp. 9, 17-18. Congress specifically provided an exception for "any law pertaining to intellectual property." The question is whether it is proper for a court to insert the word "Federal" into this provision, and the argument of amici is that such a judicial act is not proper and will have devastating consequences for right of publicity owners.

owner is potentially left without any remedy. The poster of the infringing content is almost always anonymous, and in addition, even if identified, is often outside the country or judgment proof. (SAG Brief p. 12; CMG Brief pp. 7-8.) The consequences of the Ninth Circuit's ruling, if not reversed, will be truly devastating for the actors represented by SAG, the celebrities represented by CMG, as well as models, athletes, spokespersons, and tens of thousands of other professionals who actively make their living through the use of their names, likenesses, images, reputations and public personas. (SAG Brief p. 2, 12.) "The very cornerstone of their careers is their ability to exploit their rights in these intangible, but often very valuable, assets. Critical to this ability are the protections embodied in the rights of publicity laws. . . ." *Id.* at p. 3.[6] ***What respondents seek is to be able to profit from massive rights of publicity violations, and other violations of state law intellectual property rights, with complete immunity—a result that Congress did not intend when it passed the CDA.***

Respondents incorrectly claim that "Perfect 10 has offered no affirmative alternative construction of Section 230(e)(2) to substitute for the Ninth Circuit's definition."

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[6] When Congress created a safe harbor for internet service providers for copyright infringement, it conditioned the safe harbor on complying with notice and take-down procedures. 17 U.S.C. § 512. When the Ninth Circuit created immunity for right of publicity by inserting the word "Federal" into the statute, it did not condition immunity on notice and take-down, creating a disastrous result for right of publicity owners, and demonstrating why courts should not attempt to legislate but rather should simply follow the language of the statute as written.

(Opposition p. 16.) Perfect 10 has offered an alternative construction: the statute ought to be read according to its words, "*any* law pertaining to intellectual property," which certainly includes state trademark and right of publicity laws.

Respondents' undue concern with the non-uniformity of state laws (Opposition pp. 5, 7, 17) was not shared by Congress. Section 230 clearly does not grant immunity from all state laws. As well as the intellectual property exception, Congress provided exceptions to immunity for: "any State law that is consistent with this section" (Section 230(e)(3)), and the Electronic Communications Privacy Act "or any similar State law." (Section 230(e)(4)). *See also Zeran v. America Online, Inc.*, 958 F.Supp. 1124, 1131 (E.D.Va. 1997), *aff'd.*, 129 F.3d 327 (4th Cir. 1997), *cert. denied*, 524 U.S. 937 (1998) ("[T]he CDA reflects no congressional intent, express or implied, to preempt all state law causes of action concerning interactive computer services.") There is no showing of Congressional intent to grant immunity for state intellectual property laws, and the language of the statute itself mandates just the opposite. The unwarranted deprivation of these rights by the Ninth Circuit is an important issue of federal law.

III. THE NINTH CIRCUIT'S DECISION CONFLICTS WITH DECISIONS OF THIS COURT REGARDING STATUTORY CONSTRUCTION.

While this Court has never considered the specific issue involved in this case regarding Section 230(e) of the CDA, it has decided a number c˚ cases involving statutory construction which the Ninth Circuit should have followed to correctly interpret that provision. As set forth in Perfect 10's Petition, pages 13-15, a court's task "is to construe what Congress has enacted" and to "begin, as always, with the language of the statute." *Duncan v. Walker*, 533 U.S. 167, 172 (2001). Congress did *not* insert the word "Federal" in the phrase "any law pertaining to intellectual property." In contrast, Congress *did* insert the word "Federal" in Section 230(e)(1), the immediately preceding exception, for any "*Federal* criminal statute." 47 U.S.C. § 230(e)(1) (emphasis added).

In *Duncan v. Walker, supra* at 172, this Court held: "[H]ad Congress intended to include federal habeas petitions within the scope of [the Antiterrorism and Effective Death Penalty Act], Congress would have mentioned 'Federal' review expressly." The same is true here. Had Congress meant to exclude *only* federal intellectual property laws from the immunity provisions of Section 230, it would have expressly stated "Federal" intellectual property laws.

One of the clearest tenets of statutory construction is that a term employed by Congress in one place, and excluded in another, should not be implied where it is excluded. *Fedorenko v. United States*, 449 U.S. 490, 512-

13 (1981); *see also* cases cited at pages 14-15 of Perfect 10's Petition. "It is well settled that where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan v. Walker, supra*, 533 U.S. at 173 (internal quotation marks omitted). Here, as in *Duncan*, there is "no likely explanation for Congress' omission of the word 'Federal' in [the statute] other than that Congress did not intend" to put it there. 533 U.S. at 173. In omitting the word "Federal" from Section 230(e)(2), and including it in the immediately preceding subsection, it is clear Congress meant just what it said—*any* law pertaining to intellectual property, not just federal law. The Ninth Circuit did not attempt to distinguish these cases, or even mention them, when it inserted the word "Federal" into Section 230(e)(2).

Respondents claim that the decision of the Ninth Circuit "is consistent with other well-established principles of statutory construction, such as giving effect to the stated findings and goals of Congress in enacting Section 230." (Opposition p. 19.) However, the first rule of statutory construction is to follow the language of the statute. Courts should not even look at legislative intent if the statute is clear on its face, as it is here. *U.S. v. Lanier*, 520 U.S. 259, 267 (1997) ("The legislative intent of Congress is to be derived from the language and structure of the statute itself, if possible, not from the assertions of codifiers directly at odds with clear statutory language."). The language of the intellectual property exception is clear—it does not contain the word "Federal." The adjacent exception does. In that instance,

as this Court's cases make clear, the word "Federal" should not be inserted by a court. Furthermore, there is no indication whatsoever that Congress intended to deprive right of publicity owners of their rights.

In summary, the arguments raised in respondents' opposition are not correct. As discussed in Perfect 10's Petition for Writ of Certiorari, this Court should grant the petition, for the following reasons:

1. The case presents an important issue of federal law with significant practical consequences, expanding federal immunity to cover state intellectual property claims, despite clear language in the statute to the contrary. The amicus briefs of the Screen Actors Guild and CMG Worldwide point out the devastating consequences that will result for right of publicity owners if the Ninth Circuit's decision is not reversed. A statute that was designed to reduce pornography on the Internet will be misinterpreted to illogically deprive actors and other celebrities of their valuable rights of publicity, and to immunize those who profit from the massive violation of such rights.

2. The Ninth Circuit's decision conflicts with a decision of the First Circuit on this important issue of federal law.

3. The Ninth Circuit's decision conflicts with rulings of this Court regarding statutory construction. The Ninth Circuit did not attempt to distinguish or even mention these Supreme Court decisions.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

JEFFREY N. MAUSNER
MAUSNER IP LAW
Warner Center Towers, Suite 910
21800 Oxnard Street
Woodland Hills, California 91367
(310) 617-8100, (818) 992-7500

Attorneys for Petitioner

APPENDIX

APPENDIX E — STIPULATION AND ORDER TO STAY PROCEEDINGS PENDING OUTCOME OF PETITION FOR CERTIORARI

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

No. CV 02-7624 AHM(SHx)

PERFECT 10, INC.,

Plaintiff,

v.

CCBILL, LLC, CWIE, LLC,

Defendants.

STIPULATION AND ORDER TO STAY PROCEEDINGS PENDING OUTCOME OF PETITION FOR CERTIORARI

MATZ, District Judge.

Pursuant to the discussions which took place at the Status Conference before Judge Matz on September 10, 2007 and subsequent discussions of the parties, it is hereby requested and stipulated between the parties hereto, Plaintiff Perfect 10, Inc. ("Perfect 10") and Defendants CCBill, LLC ("CCBill") and CWIE, LLC ("CWIE"), as follows:

Appendix E

All proceedings in this case shall be stayed, pending the decision by the United States Supreme Court on whether it will grant certiorari . No party should take discovery or otherwise litigate this matter during the stay. If the Supreme Court denies Plaintiff's Petition for Certiorari, this case will be dismissed in its entirety and with prejudice, all parties to bear their own fees and costs. If the Supreme Court grants Plaintiff's Petition for Certiorari, the stay will be lifted. However, Perfect 10 will not be prejudiced or prevented from seeking a further stay in that event.

This stipulation is entered into in order to prevent the unnecessary expenditure of attorneys' fees and to reduce the burden on this Court.

Respectfully submitted,

Dated: September 19, 2007

By: s/ Jeffrey N. Mausner
Jeffrey N. Mausner
Attorneys for Plaintiff Perfect 10, Inc.

Dated: September 19, 2007

SPILLANE SHAEFFER ARONOFF
BANDLOW LLP
TIFFANY & BOSCO, P.C.

By: s/ Jay M. Spillane
Jay M. Spillane
John P. Flynn
Attorneys for Defendants CCBill, LLC
and CWIE, LLC

Appendix E

ORDER

Pursuant to the stipulation of the parties set forth above, it is hereby ORDERED that all proceedings in this case are stayed, pending the decision by the United States Supreme Court to grant or deny Plaintiff's Petition for Certiorari. No party may take discovery or otherwise litigate this matter during the stay. Further, it is ORDERED that this case will be dismissed with prejudice, all parties to bear their own fees and costs, in the event the Supreme Court denies Plaintiff's Petition for Certiorari. It is further ORDERED that the stay shall be lifted if the Supreme Court grants the Petition for Certiorari. However, Perfect 10 will not be prejudiced or prevented from seeking a further stay in that event.

IT IS SO ORDERED.

Dated: September 20, 2007

s/ A. Howard Matz
A. HOWARD MATZ
United States District Judge